

No Objection to Declassification in Part 2009/12/07 : LOC-HAK-260-1-1-0

MAY 10 8 54 AM '74

SECRET/SENSITIVE 100848Z MAY 74

25X1

IMMEDIATE

MAY 10, 1974

MORI/CDF C03344639 pages
1-2
C03344759 pages 4-5

HAKTO 68

TO: GENERAL SCOWCROFT

FROM: DAVID GOMPERT

REF: TO HAK 131

ON-FILE NSC RELEASE
INSTRUCTIONS APPLY

1. HAK APPROVES LETTER CONTAINED IN TO HAK 131.

050

0102

State Dept. review completed pages 4-5

NNNN

No Objection to Declassification in Part 2009/12/07 : LOC-HAK-260-1-1-0

~~IMMEDIATE~~

SECRET/SENSITIVE

HAK TO

68

May 10, 1974

MAY 10 6 48 AM '74

TO: GENERAL SCOWCROFT

FROM: DAVID GOMPERT

REF: TO HAK 131

1. HAK approves letter contained in TO HAK 131.



SECRET/SENSITIVE

No Objection to Declassification in Part 2009/12/07 : LOC-HAK-260-1-1-0

Scowcroft submits for your approval a draft letter to Casey from the President expressing his support for EXIM financing of USSR fertilizer deal.

Approve



As amended

No Objection to Declassification in Part 2009/12/07 : LOC-HAK-260-1-1-0

MAY 9 10 54 PM '74

0 091959Z MAY 74 ZFF-1 ZFF-4 ZYH
FM THE SITUATION ROOM
TO AMEMBASSY CAIRO
ZEM
S E C R E T SENSITIVE EYES ONLY



WH41239

25X1

TOHAK131

MORI/CDF C03344759 pages 4-5

DELIVER TO BREMER/RODMAN FOR THE SECRETARY.

MAY 9, 1974 State Dept. review completed pages 4-5

TO: SECRETARY KISSINGER
FROM: BRENT SCOWCROFT

SUBJECT: PROPOSED PRESIDENTIAL LETTER TO CASEY ON USSR FERTILIZER
DEAL

1. WE HAVE BEEN ASKED TO CONCUR IN CIEP PROPOSAL TO PRESIDENT
THAT HE SEND A LETTER TO EXIM BANK PRESIDENT CASEY EXPRESSING HIS
SUPPORT FOR EXIM FINANCING OF USSR FERTILIZER DEAL. TEXT OF PROPOSED
LETTER IS AS FOLLOWS:

QUOTE DEAR MR. CASEY:

PETER FLANIGAN BROUGHT TO MY ATTENTION THAT PORTION
OF YOUR TESTIMONY BEFORE THE SUBCOMMITTEE ON INTERNATIONAL
TRADE OF THE HOUSE BANKING AND CURRENCY COMMITTEE WHICH
DEALS WITH THE EXPORT-IMPORT BANK'S COMMITMENT TO FINANCE
THE SALE OF AMERICAN PRODUCTS WHICH WOULD BE INCORPORATED
INTO A LARGE FERTILEZER COMPLEX IN THE SOVIET UNION.

YOUR TESTIMONY INDICATES THAT A \$180 MILLION LOAN FROM
THE BANK WILL RESULT IN THE SALE OF \$400 MILLION WORTH OF AMERICAN
EXPORTS FOR THIS COMPLEX, AND WILL TRIGGER THE INVESTMENT OF
SUBSTANTIAL FUNDS AND THE CREATION OF JOBS IN SHIPBUILDING AND
PHOSPHATE DEVELOPMENT IN FLORIDA.

YOU ALSO INDICATE THAT AS A RESULT OF THIS TRANSACTION TWO
NITROGEN FERTILIZERS (AMMONIA AND UREA) WHICH ARE SCARCE IN OUR
COUNTRY WILL BE ACQUIRED WITHOUT A CASH DRAIN ON OUR BALANCE
OF PAYMENTS, IN EXCHANGE FOR SUPERPHOSPHORIC ACID, A FERTILIZER
WHICH WE HAVE IN ABUNDANCE AND WHICH WOULD BE PRODUCED IN
FLORIDA AND SHIPPED TO THE SOVIET UNION. THE NITROGEN FERTILIZERS
COMING TO THIS COUNTRY WOULD BE MADE WITH SOVIET NATURAL GAS,
THUS REDUCING THE DRAIN ON OUR OWN NATURAL GAS RESERVES.

I BELIEVE THAT THIS TRANSACTION, RESULTING NOT ONLY IN TRADE
AND BALANCE OF PAYMENTS BENEFITS FOR US BUT ALSO CONTRIBUTING
TO OUR OWN FERTILIZER AND ENERGY NEEDS AS WELL AS TO WORLD FOOD
NEEDS, MAKES EXACTLY THE KIND OF CONTRIBUTION TO THE NATIONAL
INTEREST WHICH I ENVISIONED WHEN I MADE THE DETERMINATION, ON
OCTOBER 18, 1972, THAT IT IS IN THE NATIONAL INTEREST FOR EXIMBANK
TO FINANCE U. S. EXPORTS TO THE SOVIET UNION.

SINCERELY,

2. No Objection to Declassification in Part 2009/12/07 : LOC-HAK-260-1-1-0 T TO MOVE AHEAD WITH THE FERTILIZER DEAL IN LIGHT OF CONGRESSIONAL OPPOSITION TO CREDITS FOR THE USSR FOR FEAR THAT THIS TRANSACTION MIGHT JEOPARDIZE CONGRESSIONAL ACTION ON THE EXIM AUTHORIZATION BILL. HOWEVER, CASEY HAS RECENTLY CHANGED HIS POSITION AND NOW FAVORS MOVING AHEAD WITH THE TRANSACTION IN THE BELIEF THAT IT IS ECONOMICALLY SOUND AND WOULD NOT JEOPARDIZE THE EXIM LEGISLATION.

3. SENATOR STEVENSON HAS SUGGESTED THAT A PRESIDENTIAL LETTER TO CASEY SUPPORTING THE FERTILIZER PROJECT AND EMPHASIZING ITS ECONOMIC BENEFITS FOR THE UNITED STATES MIGHT CREATE A BETTER UNDERSTANDING IN THE CONGRESS.

4. I BELIEVE THE FOLLOWING CONSIDERATIONS ARE RELEVANT:

PRO

-- THE PRESIDENTIAL LETTER WOULD BE IN KEEPING WITH ADMINISTRATION SUPPORT FOR INCREASING, MUTUALLY BENEFICIAL US-USSR TRADE.

-- THE FERTILIZER DEAL, WHICH INVOLVES A \$180 MILLION CREDIT WOULD BE THE FIRST MAJOR DEAL (EXCEPTING KAMA RIVER) WITH THE USSR SINCE THE 1972 TRADE AGREEMENT. PRESIDENTIAL SUPPORT FOR THE TRANSACTION WILL PUT HIM ON SOLID GROUND IN HIS ECONOMIC TALKS AT THE MOSCOW SUMMIT EVEN IF THE MFN ISSUE REMAINS UNRESOLVED.

-- IT IS DESIRABLE FOR THE ADMINISTRATION TO TAKE ACTION PRIOR TO THE LATE MAY MEETING OF THE US-USSR JOINT COMMERCIAL COMMISSION SO THAT SUCH ACTION WILL NOT APPEAR TO RESULT FROM SOVIET PRESSURE DURING THE COMMISSION MEETING.

-- THERE IS EVERY INDICATION THAT THE FERTILIZER DEAL IS IN THE UNITED STATES' ECONOMIC INTERESTS.

CON

-- CONSIDERING THE USSR CREDIT CLIMATE IN THE CONGRESS IT IS QUESTIONABLE WHETHER THE PRESIDENT SHOULD INVOLVE HIMSELF PERSONALLY IN THE TACTICAL MANEUVERING ON THE FERTILIZER DEAL, PARTICULARLY IF THE BENEFITS FOR THE UNITED STATES SHOULD TURN OUT TO BE LESS THAN EXPECTED.

-- THE ECONOMIC ISSUES ASIDE, THE PRESIDENT MAY BE OPENED TO FRESH CHARGES FROM THE ANTI-DETENTERS AND THOSE WHO ARE URGING POSTPONEMENT OF THE MOSCOW SUMMIT THAT HE IS PUSHING AHEAD WITH MOVES WITH THE SUMMIT IN MIND MERELY TO PLEASE THE SOVIETS, MOVES THAT MAY NOT BE IN THE U.S. BEST INTERESTS.

5. IN VIEW OF THE CHANGED ASSESSMENT OF THE IMPACT ON THE EXIM BILL, I RECOMMEND GOING AHEAD WITH THE PRESIDENTIAL LETTER TO CASEY. THE TIME FACTOR IS VERY TIGHT; EXIM'S PRELIMINARY CREDIT WILL EXPIRE ON MAY 14. IF YOU AGREE, I WILL ADVISE THE PRESIDENT THAT YOU APPROVE GOING AHEAD WITH THE LETTER TO CASEY.

APPROVE-----

DISAPPROVE-----

857
#2369